Rate of interest on Post Office deposits

3552. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that public sector banks and other banks are now giving more than 9 per cent as rate of interest on time deposits where the deposits in EPF/PPF and time deposits in the Post Office are getting lower rates of interest;

(b) if so, the reasons therefor; and

(c) why can't the rate of interest on post office deposits EPF/PPF be raised to the level of banks to attract small savings.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) Public sector banks are free to determine their own rates of interest on demestic term deposits of various maturity values, whereas interest rates on small savings deposits, including term deposits and PPF are benchmarked to average yeild on Government Securities of comparable maturity in the secondary market, as recommended by Expert Committee on Administered Interest Rates under the Chairmanship of Dr. Y.V. Reddy, the then Dy. Governor, Reserve Bank of India. Currently the benchmark yield for Government Securities of shorter maturities (1 year/2 year) are higher by 69 basis points and 61 basis points, respectively, compared to the rates on 1 year/2 years Post Office Time Deposits. However, 3 year Time Deposit rates are on par with G-sec. yields; and in the case of medium and longer maturities of 5 years and above, the small savings rates still enjoy a spread ranging from 2 basis points to 152 basis points. In so far as senior citizens are concerned, their deposits under the 5 year Senior Citizens Savings Scheme enjoy a spread of 152 basis points over G-sec. yield for comparable maturity.

As regard EPF deposits, the rate of interest is recommended by the Central Board of Trustees (EPF) and there is no linkage of rate of interest on EPF balance with the interest on investments in PPF/Time Deposit in post offices and public sector banks.

Any increase in the small savings interest rates will require a concomitant increase in the on lending rates to the States for whom net collections under small savings schemes constitute a significant portion of revenue.

The risk free, assured, regular returns, easy availability and liquidity of small savings schemes as well as the tax benefits enjoyed on PPF, NSC (VIII Issue) and Post Office Savings Accounts continue to contribute to the attractiveness of the small saving schemes.

Model code for procurement

†3553. SHRI BANWARI LAL KANCHHAL: Will the Minister of FINANCE be pleased to state:

(a) whether any model code regarding procurement has been evolved which will be obligatory for all Ministries/Departments at the time of giving contracts and supply; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) General Financial Rules 2005 have been promulgated *w.e.f* 1st July, 2005, with a view to recommend systems and procedures which will be in tune with liberalized and growing economy. General Financial Rules (GFRs) are a compendium of general provisions to be followed by all offices of Government of India while dealing with matters of a financial nature. The general provisions relating to purchase of goods contained in Chapter 6 of the GFRs lay down some general rules applicable to all Ministries/Departments. Detailed instructions relating to procurement may be issued by the procuring departments broadly in conformity with the general rules contained in GFRs. Further, "Manual on Policies and Procedures for Purchase of Goods" has been issued which' contain generic guidelines, wherein Ministries and Departments are required to supplements this Manual by issuing detailed operating instructions, to serve as practical instructions for their offices to suit their local/specialized needs.

Evasion of duties by exporting unit

3554. DR. K. MALAISAMY: Will the Minister of FINANCE be pleased to state:

(a) the details of the issues concerned with M/s Sterlite Optical

†Original notice of the question was received in Hindi.